CHEAP MONEY.

ADDRESS BEFORE THE TRUSTEES

OF

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BY

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CHEAP MONEY.

Mr. President and Gentlemen of the Board of Trustees, Ladies and Gentlemen:

In our system of government where every citizen is clothed with sovereign power and compelled to share in responsibility for the public weal, the coming of a re-enforcement of young educated men into the ranks of citizenship is both an inspiration and a benediction. This annual contribution by the colleges of the nation, to the citizenship of the nation is the sure guaranty that popular government is to be perpetuated. For with an intelligent manhood comes an intelligent comprehension of all political problems and an intelligent ballot.

I congratulate you therefore Mr. President and those associated with you at the council board of administration, that this venerable institution has, to-day, as it has all along its history, discharged a high and patriotic service to the government under which we live, by adding to the intelligent manhood of our country your quota of educated young men, thoroughly equipped for the duties of practical life and practical citizenship. The true import of the credentials with which our higher institutions of learning invest their graduates is not appreciated, until we compare their efficiency for public service with that great undefinable mass of ignorance that imperils the very existence of free institutions.

An honest ballot is no more imperatively demanded than an intelligent ballot. A dishonest ballot threatens no more disaster to the republic than an ignorant ballot.

You have not commissioned these young gentlemen to be privates who are to merely follow and acquiesce in the teachings of others, confiding in the dangerous dogma that "whatever is, is right," but you have sent them forth as teachers and file-leaders in their assumed duties and responsibilities as citizens of the republic.

Every question arising that touches the prosperity and weal of the commonwealth is to be, by them, grappled with and settled upon a basis of sound and discriminating conservatism, a basis that promises the highest good to the greatest number.

I may be pardoned then if, in answering the summons with which I have been honored, I address a few suggestions to you in the hearing of these newly enrolled citizens, upon a subject that just now engrosses the attention of the people of our common country. The question of cheap money is not a new one. All along our history, all along the history of England, France, Germany and every other civilized nation, a conflict of opinion has raged between the advocates of

good money and the demand for cheap money. Experiments have been tried everywhere in the effort to make something out of nothing; to give value to an article not susceptible of value; to delude the people with a shadow in place of a substance.

But happily for the people all such schemes have, thus far, proved abortive. There are three distinct classes in the ranks of the advocates of cheap money in this country, all agreed as to the end in view, but not agreed as to the best means to attain that end.

One class believes that the government can issue irredeemable paper money which will circulate from the momentum given it by the fiat of the government; that it need have no intrinsic value; that it is never to be paid; but that the confidence of the people will float it along in the channels of business, and the wants of the people will be fully met by it.

Another class, not going quite so far in banking on the confidence of the people and the fiat of the government, says the great trouble with the times is the scarcity of money among the people, and that some plan must be devised to make money plenty, and they offer as their remedy the establishment of state banks in place of the National system.

The third class has some notions common to both the other classes, but rests its hopes in the free coinage of silver at the ratio of 16 to 1, and it is proposed to establish free coinage in America, alone, irrespective of any action looking to this end by other nations.

The advocate of fiat money triumphantly points to the greenback of the war period, and asks, did not that carry us through the greatest war of modern times, and if it was good in war will it not be good in peace?

This argument is specious and has turned the head of many candid men, but when we turn the flash-light of the second sober thought upon it, it is speedily relegated to the domain of exploded theory.

The greenback of the war period was *not* fiat paper. Fiat paper is issued without any consideration. It is put out by the government without anything being received back by the government. It is the mere, empty promise of the government to pay dollars with no value received to support it. Every greenback ever issued was first put out in payment for services rendered or property received by the government. It was, then, in substance, a promissory note, given on good consideration. But in order to expand the currency the government gave to the note the added quality of legal tender, so that it would be as good in the hands of a stranger as in the hands of the first taker who furnished the original consideration.

It is thus seen that the greenback is the written obligation of the government to pay for some valuable consideration received by it.

As the government in its contract relations stands precisely like an individual in his, this promise to pay is a legal promise and enforceable as such. By reason of this legal obligation the greenback now stands in public confidence by the side of government bonds, both as good as gold the world over. The bonds were issued for borrowed

money. The greenbacks were issued for purchased supplies and services. Both are expected to be paid in good, honest, one hundred cent dollars. The fiatist fails to discriminate between the paper and the signer of the paper. The confidence given to the greenback does not rest wholly on the fact that it is signed by the government, but rests, primarily, on the fact that it is paper that the government had the right to issue and it is therefore legally collectible.

Mr. A. may give me his note for a hundred dollars for money borrowed. A. is perfectly responsible. I can collect the note not because the signer is financially responsible but because the note is legally binding and thus legally good. But if Mr. A. gives me his note without any value received, I cannot collect the note however responsible he may be financially.

Just so with the government; any paper issued for value received will always be accepted by the people; any paper issued without value received will not be accepted by the people.

When the greenback now current is offered to a man, he enquires who signed this paper. The United States government. Where is it payable? At the counters of the government. When is it payable? On demand. Then I will take it.

When the fiat greenback is offered to a man he enquires who signed this paper. Nobody. Where is it payable? Nowhere. When is it payable? Never. Then I don't want it.

No paper of any description will pass current among the people unless it wins the confidence of the people in two respects.

1st. That the issue is not disproportionate to the ability of the maker to pay, and

2nd. That the maker is legally bound to pay it.

The greenback of the war period forcibly illustrates the truth of this proposition. The government was fighting to preserve its existence. Millions of men were to be raised and paid. Millions of other expenditures must be met. Specie had disappeared. Paper promises to pay were the only resource left. Successive issues of these paper promises were piled up, Pelion upon Ossa, until the confidence even of a patriotic people was shaken. If the rebellion was a success no man could predict the fate that awaited the loyal North. Whether we should have any government left at all, and if so whether it would pay or repudiate its paper were questions uppermost in everybody's mind. By reason of this, the greenbacks, though legally issued for legal purposes, were worth forty cents on the dollar. In common parlance we say that gold went to a premium, but this is a misuse of language. Gold never went to a premium during the war. It maintained its equal, unvarying value throughout the war, both at home and abroad, without variableness or shadow of turning. It was worth an even one hundred cents on the dollar—no more, no less—in the loyal States and in the disloyal States.

If the farmer in Vermont received a dollar a pound for his butter it was because he took his pay in greenbacks. Whereas, if the gold

was offered him, he would sell for twenty-five cents. If the confederate had to pay one hundred dollars in confederate money for a dinner, he knew he could buy it for a single gold dollar. The price of butter and of dinners went up as the currency in circulation went down, because it takes more cheap money to buy goods than good money.

Now if the war greenback lost its standing when it had behind it the pledge of the American people that it should be redeemed in honest money, and when every nerve in our national being was strained to uphold it, how long is it probable that mere fiat paper--paper issued without value received, issued without limit--issued without any purpose of ever being redeemed ; or if redemption be promised, issued far beyond the ability of the government to redeem, will pass current among the people?

The only asset the government has available to meet its promises is its power of taxation. The only money it ever has is money received from taxes. It can only levy a tax for some public purpose, to raise money for some proper governmental object. It can no more levy a tax to supply me with money than it can to supply me with food. It is not organized for the purpose of doing for individuals what they should do for themselves. The acquisition of wealth is the business of the individual. The protection of the individnal in the enjoyment of his wealth is the business of the government. Every man must earn his own money and the government will protect him in its possession.

The scheme of fiat money, then, is absurd in theory, vicious in application, and bad in law.

The second class of financial dreamers insists that, if fiat money issued by the government is not the proper remedy for the ills they complain of, the next best thing is to overturn the national banking system, and set up in its place a system of State Banks. They say this will make money plenty in every locality and where money is plenty the country is on the high road to prosperity. But this proposition is not quite sound in the way they put it. If good money is plenty the country does prosper, but if bad money is plenty the country will go to ruin. Money is the measure of values. If money is worth one hundred cents to the dollar, it will exactly measure the value of one dollar's worth of property. If butter is worth twenty-five cents per pound in honest money, that is its true value, no matter what it sells for in cheap money.

An honest dollar is not provincial in its character. It is equally good in New York and in London. If you start on a journey to San Francisco or Peru, the honest dollar will pay your bills without discount at either place. If you take the wings of the morning and dwell in the uttermost parts of the sea, the honest dollar will buy you a dinner on your arrival.

But no State Bank bill will do your service satisfactorily five hundred miles away from the home of the bank issuing it. Strangers are afraid of it. If you visit Ohio you must exchange it for Ohio money,

and pay the broker for his risk. If you visit London you could not use it at all. Is that the kind of money that the business interests of this country desire again to try? We have tried the state banking system once. In that trial has not old experience already attained

' To Something of Prophetic Strain ?"

We are to look at the question not from the standpoint of individual good, but from that of the public good. There are, say one million stockholders in the banks of this country. What interest have the other sixty-nine millions of our people in the banks? What do they want? There are two classes among them having a direct interest in the character of banks,—one is the depositor, anxious to know that the bank is safe and sound and will return him his money, —the other is the bill holder anxious to know that the bills in his pocket are worth their face value in every market.

What was the experience of our people under the state bank system? Taking it as a whole it brought ruin to countless numbers of both depositors and bill holders. Now we have but one lamp by which our feet are guided and that is the lamp of experience. We have no way of judging the future but by the past. If State Banks worked unsatisfactorily, if they brought disaster to the holders of their bills, what will they do in the future? If on the contrary the national bank system, planted on the bed-rock of national responsibility, with a history running through a generation, has never, anywhere, shown the loss of a penny to its bill holders, and only an infinitesimal loss to its depositors, why, as intelligent men, should we seek a change!

What virtue in the banking system do the sixty-nine millions of our people demand which is not found in the national banking system?

More than a hundred and fifty of them have failed within the past two years. What man among you ever looked to see if he had a bill on one of these failed banks in his possession? You never look to see what bank issues the bill which is offered to you,—you don't care. You know the bill is good whether the bank fails or not. The bills of a national bank are not only good and pass without inspection in the locality of the bank but in all localities. They are just as good in London or in Paris as they are in Boston and New York. This general and unquestioned currency given to National Bank bills is in itself sufficient reason why the system should not be changed. It is precisely the one thing that the people desire and must have in a banking system, and this system is the only one that makes this result certain.

I am aware that all manner of hard names are applied to the managers of national banks, but hard names are not arguments, abuse is not logic. We are trying the merits of the system, not the

merits of the managers, and I do not say this by way of apology, on the contrary I can unhesitatingly affirm that there cannot be found in the world, anywhere, in any kind of business employment, any class of managers, more straightforward, more cautious, more patriotic, and more honest than the managers of our national banks, as a class. During the war they were the right arm of support to the National Treasury, since the war they have been the bulwark of defense to the Nation's credit.

State Banks mean cheap money. The security for their bills will be such as each of the forty-four States may adopt. If a State is controlled by Populists, very likely the bills will have no security behind them and in every State nothing will be provided equal to the security of Government Bonds. We now have eight or ten different kinds of money in use among the people, all of it interchangable and all equal to gold. The proposal is to add forty-four kinds more, not interchangable with its own kind nor with that now in use and none of it equal to gold. State bills cannot be made legal tender because the Constitution forbids it. It is clear that this system of banking will work untold mischief if adopted.

But the advocates of cheap money, if they find that fiat money is impossible, and find that State Banks are condemned, make their final assault upon metallic currency itself. They say, give us free coinage of silver at the ratio of 16 to 1. If we cannot have fiat money worth nothing, or State Bank money worth but little more, give us, at least, silver money worth half price.

They say silver is as much the money of the Constitution as gold, that silver dollars were the dollars of the daddies, and if the government will open its mints and coin silver dollars, worth only fifty cents, the government stamp upon them will float them in every market of the world. But if the government can make half dollars into good merchantable dollars, it can make half bushels into good current bushels, it can make two quarts into a gallon, and eighteen inches into a yard, with equal right and equal success.

The same clause in the Constitution which gives Congress the right to coin money and regulate its value, gives it the right to fix the standard of weights and measures. Both propositions, then, stand upon the same level of fundamental right.

The Constitution does not provide for coining dishonesty. Money, weights and measures, as used in that instrument, mean honest honest dollars, honest weights, and honest measures. Dishonest dollars, therefore, are not Constitutional money.

The argument of the advocate of cheap money, that they want the "dollar of the Constitution," the "dollar of the daddies," is, therefore,from their standpoint absolutely illogical and unsound. The dollar of the Constitution and the dollar of the daddies were both honest dollars, worth one hundred honest cents; and the sons of those daddies want dollars equally good. But who wants cheap money? The advocates of it are located mainly in the West and South. The mine owners in the West who have invested their cap-

ital in silver mines are clamoring for free coinage because it will stimulate their industry. The people in the South, who were made poor by the war and who are deeply in debt, want free coinage of silver, or State banks, or both, because they think that with cheap money they can more easily pay their debts. The mine owners in the West with free coinage of silver at the ratio of 16 to 1, can see countless millions in the venture. If they can take fifty cents worth of silver to the mint, have it made into a dollar free of expense to them, it is a profit worth securing. Silver is a commodity dug out of the earth as granite is. If the granite producer could get a law passed that would compel purchasers to pay one dollar per foot for granite worth only fifty cents, the results would be eminently fortunate for the producer, but you and I who buy the granite must suffer a corresponding loss. If the mine owner gets his silver manufactured into dollars at double its value, he is eminently fortunate, but you and I who buy those dollars must suffer a corresponding loss. The mine owner, then, is simply seeking legislation for his own selfish advantage, regardless of its effects upon the general public.

But it is claimed that even if this be true, it is for the general good that silver be used as money of ultimate redemption. This is true if it be available everywhere for this purpose. But it is to be remembered that the American nation is a part of the family of nations. We buy and sell to all the other members of the family. We must have tea, coffee, sugar, spices and other necessaries of life, and must purchase numberless luxuries that cannot be produced at home. We must, therefore, have a kind of money that the seller of these articles will accept in payment. We could, doubtless, establish bi-metalism in our own country that would answer all purposes of domestic commerce. Northfield might have a medium of exchange that would work well enough at home, but Northfield must trade with Montpelier, and the Montpelier dealer will accept only such medium as is current in Montpelier. Every sound thinker is in favor of the use of both gold and silver in the monetary system, but as money is demanded by our people for use abroad, as well as at home, it must have an international currency. Local money for the United States is as objectionable as local state bank bills were in the days of state banks.

Gold and silver have each an intrinsive value, each is a commodity used in the arts, each is a commodity used by all the nations of the earth. each, therefore, has an *international* commercial value, and over *that* value the legislature of *one* nation alone has no control. Gold and silver coins from American mints pass current in foreign markets according to their weight, not according to their inscription, and if the silver dollar only weighs fifty cents that is the measure of its value. If it is worth only fifty cents in London and Paris it is worth no more in New York, for the prices of all staple articles of commerce must by natural law be approximately the same in all markets. Gold, by nearly every civilized nation, has been made the standard of values. Its annual production keeps pace so

evenly with its annually increased use, with the increase in population and business needs, that its price remains staple and it becomes a steady, unvarying measure of exchange; on the other hand silver is fickle in price and discredited in the markets of the world.

It may be true that the supply of gold is alone insufficient for the business needs of the world, and that a scramble to secure it is likely to take place. But that scramble has no terrors for us. No nation under the sun can make such tempting offers for gold as the United States. Whoever may, for the time have gold in his possession, does not wish to have it lie idle. In that condition it does him no more good than so much iron, he is looking for a chance to place it in some good paying investment. The United States offers the best investments, our government and State bonds, the bonds of our great railroad systems, the innumerable offerings of securities made by our people in every department of commercial enterprise, bear a higher rate of interest and rest upon a more certain base of security, than like offerings by other nations. This advantageous temptation will secure the gold of the investor and our international share of the world's gold is made secure. This coigne of advantage must not be thrown away. We do throw it away if we raise any suspicion that we are drifting to a silver basis in our currency system. Foreign investors expect payment of our obligations in the money of the world. So long as we support that expectation, so long will our securities float at the best price. Destroy it and they will not float at any price. Our national, state, municipal and commercial indebtedness amounts to about fourteen billions of dollars, one-third of which is held abroad. We have promised to pay it at the rate of a hundred cents on the dollar. But if we should coin legal tender silver dollars, worth fifty cents only, all this vast mountain of securities would be thrown upon the market and every bank, every great industry, and every kind of business venture would be paralyzed and millions of wage earners be turned into tramps. The fiat of the government can no more make gold or silver or anything else of value by legislation than it can make a horse drink when he is not dry. The horse is governed by natural laws, value is governed by natural laws, and these laws are controlled by Heaven, not by man. Government may make cheap money a legal tender here at home for existing debts, but no new ones could be created so long as cheap money could discharge them. And no makeshift policy will help the difficulty. It has been urged that by making concession to foreign nations in our tariff duties upon their productions, they would accept our silver currency in exchange. But this proposition implies that the foreign exporter pays the tariff duty which is not always true, and secondly that in order to sell his goods he will accept cheap money. What will induce him to accept money worth half its face value? Where can he use it? If he accepts a fifty cent dollar for his goods he must recoup his loss by doubling the price of his goods, and thus our people gain nothing. Again if we make tariff concessions to one nation we must to all. How, then, can we get revenue

for the support of government except by some form of taxation which will burden the people? It is safe to say that you cannot make your cheap dollars current among the nations of the earth by any thin sugar coating process like this.

The conclusive answer to the argument for the free coinage of silver is this—it is a dishonest attempt to cheat the people.

The proposition for the free coinage of silver dollars, intrinsically worth only half price, is, in essence, a scheme to make the fiat of the government contribute one-half of the currency those dollars may have. The government receives no value from the owner of silver bullion who brings it to the mint for coinage, on the other hand it does the work of coining it free and returns to him the dollars into which his bullion is coined. It puts its stamp upon the coin which merely certifies to its genuineness as a coin which the government has manufactured. The owner of the bullion owns the dollar made from it. Why, then, should the government assume any liability in the transaction more than the miller does who grinds your wheat into flour. Why should the government make the silver dollar, worth only half price, a legal tender for its face value, any more than the miller should certify that your half bushel of wheat makes a bushel's worth of flour?

The people of this nation believe in honesty in all things. They cannot, consistently, declare that fifty cents is equal to one hundred cents. They cannot, therefore, directly nor indirectly sanction any currency that is not intrinsically worth what it purports to be. No metal, therefore, whether it is gold or silver or copper can be safely coined that has any different price whether it is in the bar or in the coin. If fifty cent silver dollars were put into circulation by the side of one hundred cent gold dollars, and both were legal tender, the gold dollars would disappear within thirty days after the enterprise was inaugurated. If I owed a man a dollar and I had a gold dollar and a silver one, he would be certain to get the silver and I would retain the gold. The cheap dollar always drives the good dollar into hiding.

But the men who clamor for cheap money, whether paper or silver, are asking for the very thing they do not want.

It is true that such dollar, if made a legal tender, would pay off existing debts. But how is the debtor to get the fifty cent dollar? When it comes from the mint it is the money of the man who supplied the bullion from which it is made. He went into the business for the profit there was in it. He has secured a dollar that he wishes to pass at its full face value.

You and I must pay him one hundred cents for it. Thus you and I, if we are trying to get it to pay off an existing debt, might as well pay the debt in full without bothering with the silver dollar.

Again, suppose the cotton farmer of the South and the wheat farmer of the West, by some hook or crook, could get possession of cheap dollars enough to pay off their mortgages. This would end their interest in such money. It would help them in this first trans-

aetion, but the next day when they offer their wheat and cotton for sale, and always afterward when they market their produets, they are on the other side of the transaetion. They must take their pay in the same eheap money.

It thus appears that eheap money is good for the debtor elass only in the first transaetion, namely, to pay off existing debts. He eheats his ereditor just the amount he saves to himself. After that the debtor is eheated. But if the debtor desires again to borrow money he finds the doors of eredit elosed. No creditor will expose himself the second time to a payment in eheap dollars.

The effeet of free eoinage upon existing eurreney will be the same. The government, for the eonvenienee of the people, has issued millions of silver eertifieates based upon a deposit in the treasury of a eorresponding amount of silver bullion. These eertificates on their faee are payable in silver dollars. You all have these certificates in your poekets. Read the eontraet on their faee and you will see that all the government agrees to do, is to pay them in silver dollars. It is true the government now does redeem these eertifieates in gold if it is ealled for, but this is purely *ex gratir*, it is done to prevent the depreeiation of them in the hands of the people.

Now if we adopt free eoinage or silver independent of other nations, we destroy our market abroad for the sale of our seeurities and we drive gold out of eireulation, and the government is left powerless to get gold for the redemption of these eertifieates. It would be forced to pay them off in silver dollars. Silver dollars are worth no more eoined than the bullion from whieh they are eoined. The bullion being worth half priee, the dollars are worth half price. The instantaneous result would be that every silver eertifieate in your purse would drop to half its faee value, and you are left to stand the loss.

As long as we remain on a gold basis, and the world sees that we are willing to pay our obligations in the money the world is willing to aeeept, we ean keep all kinds of our eurreney at par. But the moment we take our plaee among silver nations, our eurrency will rank in value with that of Mexieo. But this faet by no means millitates against bi-metalism, which we all desire to establish, on the eontrary, it is the best reason in the world why bi-metalism should be established. A large per eent. of the commercial nations now have the single gold standard; all need silver to redeem money preeisely as we do; all have the same motive and the same interest in restoring silver to its plaee in the monetary system that we have. This eommon neeessity, then is the sure promise that international bi-metalism will be seeured in the near future. It would be inexeusable folly, then, for us to attempt bi-metallism alone, depreciating our own money one-half, and bringing untold disaster to every business interest in the land.

I have in briefest manner ealled attention to one of the popular heresies that the young edueated man is ealled upon to eombat. In meeting this as well as all other questions of publie eoneern, he, of

all men, is least excusable for erroneous conclusions, he is equipped for the combat and is bound, by force of his equipment, to wage the war of conquest against all popular errors. He is to subject all questions to a keen, searching analysis. He is not to eliminate a dogma because, forsooth, it is old, nor retain it because forsooth it is new.

The whole inspiration of these halls of learning, which he now leaves, the whole hope of the citizenship which he now enters, combine to lift him from the domain of bigotry up to the level of impartial inquiry.

All will be well if he follows the discriminating conservatism of St. Paul—"Prove all things, hold fast that which is good."